

ISC SEMESTER 1 EXAMINATION
SPECIMEN QUESTION PAPER
COMMERCE
PAPER 1
(THEORY)

Maximum Marks: 80

Time allowed: One and a half hours

(Candidates are allowed additional 15 minutes for only reading the paper.)

ALL QUESTIONS ARE COMPULSORY

The marks intended for questions are given in brackets [].

Each question/subpart of a question carries 1 mark.

Choose the correct option to answer the following questions.

[40]

1. Which one of the following is not a feature of business environment?
 - (a) Uncertainty
 - (b) Interdependence
 - (c) Complexity
 - (d) Stability
2. Under which environmental effect were IBM and Coca Cola, forced to leave India?
 - (a) Political environment
 - (b) Legal environment
 - (c) Economic environment
 - (d) Social environment
3. With the introduction of photostat machines in the market, carbon paper industry was adversely affected. Which dimension of business environment is involved in this case?
 - (a) Economic
 - (b) Political
 - (c) Technological
 - (d) Social

4. Which of the following is an inherent limitation of the firm?
 - (a) Increasing competition.
 - (b) Political corruption.
 - (c) Inexperienced staff.
 - (d) Changes in fiscal policy.
5. The process of retaining a part of net profits over years and reinvesting the same is:
 - (a) Public deposits
 - (b) Retained earnings
 - (c) Factoring
 - (d) Capitalization of reserves
6. A company can raise fixed capital in the form of:
 - (a) Equity shares
 - (b) Cash credit
 - (c) Discounting a bill of exchange
 - (d) Bank overdraft
7. Working capital has two concepts, gross and:
 - (a) Zero
 - (b) Net
 - (c) Cumulative
 - (d) Outstanding
8. Capital needed at the commencement of business is:
 - (a) Temporary working capital
 - (b) Permanent working capital
 - (c) Seasonal working capital
 - (d) Initial working capital
9. The capital which changes its form is termed as:
 - (a) Working capital
 - (b) Fixed Capital
 - (c) Seasonal capital
 - (d) Special capital

10. Which card issued by the bank does not enjoy a credit facility?
- (a) Debit card
 - (b) Cash credit
 - (c) Credit card
 - (d) Kisan card
11. The full form of ATM is:
- (a) Automated teller Machine
 - (b) Automatic teller Machine
 - (c) All India teller Machine
 - (d) Automatic Toll Machinery
12. Bearer Debentures:
- (a) Can be converted into equity shares.
 - (b) Cannot be converted into equity shares.
 - (c) Cannot be transferred without notice to the company
 - (d) Can be transferred by mere delivery.
13. Which of the following types of plan does not allow for any flexibility or discretion?
- (a) Rule
 - (b) Policy
 - (c) Strategy
 - (d) Procedure
14. Planning requires logical and systematic thinking rather than guesswork or wishful thinking. Which feature of Planning is highlighted in the above case?
- (a) Planning focuses on achieving objectives.
 - (b) Planning is a mental exercise.
 - (c) Planning is the primary function of management.
 - (d) Planning is pervasive.
15. Which principle of management states that every Subordinate should receive orders from and be accountable for only one superior?
- (i) Unity of direction
 - (ii) Unity of command
 - (iii) Centralisation
 - (iv) Scalar chain

16. The principle of 'Esprit De corps' means:
- (a) Unity is strength
 - (b) Service is our motto
 - (c) Buyer beware
 - (d) Product is our strength
17. Which principle of management states that there should be a place for everything and everything be in its place?
- (a) Equity
 - (b) Discipline
 - (c) Order
 - (d) Esprit de corps
18. Which of the following statements is not true with reference to Planning?
- (a) Planning is a prerequisite for controlling.
 - (b) Planning does not lead to rigidity.
 - (c) Planning enables a manager to look ahead and anticipate changes.
 - (d) Planning facilitates co-ordination among departments and individuals in the organisation.
19. Management as a science is:
- (a) A systematized body of knowledge.
 - (b) Perfection through practice.
 - (c) Multidisciplinary.
 - (d) Integrating force.
20. The following is not a type of Plan:
- (a) Policy
 - (b) Procedure
 - (c) Budget
 - (d) Values of an organization

21. Which Environment prohibits the advertisement of alcoholic beverages?
- (a) Legal Environment
 - (b) Social Environment
 - (c) Technological Environment
 - (d) Political Environment
22. Banking sector reforms have led to better services. This is an example of which type of component of the business environment?
- (a) Legal Environment
 - (b) Social Environment
 - (c) Technological Environment
 - (d) Political Environment
23. A Large firm trading in biscuits will require:
- (a) Seasonal working capital.
 - (b) Special working capital.
 - (c) Large amount of working capital.
 - (d) Small amount of working capital.
24. XYZ Public limited company, a manufacturing company was incorporated on 1st April 2020. It wants to raise long term source of capital. What would it raise its funds through?
- (a) Cash credit
 - (b) Discounting a bill of exchange
 - (c) Bank overdraft
 - (d) Shares and debentures
25. A trader wants to make an electronic transfer of funds through NEFT. He does not have a bank account. What is the maximum amount he can transfer?
- (a) 55,000
 - (b) 50,000
 - (c) 45,000
 - (d) 48,000

26. Financial planning helps to bridge the gap between:
- (a) Production and purchases
 - (b) Production and sales
 - (c) Production and advertising
 - (d) Production and financing
27. Which type of a Plan is 'offering 30% jobs to women in an organization'?
- (a) Policy
 - (b) Rule
 - (c) Procedure
 - (d) Programme
28. The principle through which Henry Fayol points out the danger and cost of unnecessary labour turnover is:
- (a) Order
 - (b) Stability of tenure
 - (c) Equity
 - (d) Remuneration
29. Management of an organization strives to achieve different Social objectives. One of the social objectives is:
- (a) Profit
 - (b) Modernization
 - (c) Expansion
 - (d) Pollution free environment
30. A bank informs its account holders regarding any transaction which has taken place from their account through:
- (a) An SMS
 - (b) A CBS
 - (c) KYC
 - (d) ATM

31. Which type of a Plan is a chronological sequence of steps to be taken in a predetermined order?
- (a) Rule
 - (b) Programme
 - (c) Procedure
 - (d) Objective
32. 'Office phone should not be used for personal calls'. This type of a Plan is a:
- (a) Rule
 - (b) Policy
 - (c) Procedure
 - (d) Objective
33. Deposits made by the public in non-banking companies are termed as:
- (a) Public deposits
 - (b) Fixed deposits
 - (c) Retained earnings
 - (d) Savings deposit
34. A type of debenture which are converted into equity shares at some future date is a:
- (a) Bearer Debenture
 - (b) Registered debenture
 - (c) Convertible debenture
 - (d) Redeemable debenture
35. XYZ Co Ltd. is in urgent need of short-term funds It borrows from Tehlot Public Ltd. funds for six months. This short-term way of raising finance is known as:
- (a) Intercorporate deposits
 - (b) Public deposits
 - (c) Factoring
 - (d) Instalment credit

36. The financial instrument issued by the bank for remitting money and which cannot be dishonoured is a:
- (a) Bank draft
 - (b) Bank overdraft
 - (c) Cheque
 - (d) Debit card
37. The supervisor of the production department needs to communicate with the supervisor of the sales department urgently. To facilitate quick communication he establishes a:
- (a) Scalar chain
 - (b) Unity of command
 - (c) Gang Plank
 - (d) Direct communication
38. Ram and Rajan have similar qualifications and perform the same type of jobs in the organisation, but they are paid different salaries. Name the principle of Henry Fayol violated in this case:
- (a) Equity
 - (b) Order
 - (c) Remuneration
 - (d) Centralization
39. The shares which have a lock in period of three years are called:
- (a) Right shares
 - (b) Sweat equity shares
 - (c) Bonus shares
 - (d) ESOP
40. The type of capital which is also termed as Risk capital is:
- (a) Preference share Capital
 - (b) Debentures
 - (c) Bonds
 - (d) Equity share capital

Choose the odd one out.

[10]

41. The meaning of the term management is used in various senses like:
- (a) Activity
 - (b) Group
 - (c) Discipline
 - (d) Integration
42. Several techniques are used for analysing the environment. One such technique is SWOT. The components of which are:
- (a) Strength
 - (b) Weakness
 - (c) Opportunities
 - (d) Time
43. Micro environment consists of the following external elements:
- (a) Consumers
 - (b) Competitors
 - (c) Suppliers
 - (d) Corporate culture
44. Short term sources of funds raised by a joint stock company are:
- (a) Cash credit
 - (b) Discounting a bill
 - (c) Bank draft
 - (d) Short term loans
45. Working capital is also known as:
- (a) Net working capital
 - (b) Gross working capital
 - (c) Revolving Capital
 - (d) Block Capital

46. The shares which have to be paid for by the shareholders are:
- (a) ESOP
 - (b) Sweat equity shares
 - (c) Right shares
 - (d) Bonus shares
47. The current assets of an organization are:
- (a) Cash
 - (b) Bank
 - (c) Stock
 - (d) Machinery
48. The principles of management, as advocated by Henry Fayol are:
- (a) Scalar chain
 - (b) Equity
 - (c) Order
 - (d) Harmony, not discord
49. The elements of management are:
- (a) Planning
 - (b) Organizing
 - (c) Staffing
 - (d) Coordination
50. The characteristics of principles of management are:
- (a) Universality
 - (b) Dynamic
 - (c) Contingent
 - (d) Train managers

Tick the correct sentence.

[10]

51. With reference to SWOT analysis:
- (a) The internal environment can be identified by analysing weakness.
 - (b) The internal environment can be identified by analysing opportunities.
 - (c) The internal environment can be identified by analysing Threats.
 - (d) The internal environment can be identified by analysing opportunities and threats.
52. The apt way of raising long term Source of finance by a joint stock company is:
- (a) Through issue of shares.
 - (b) Through issue of Redeemable debentures.
 - (c) Through issue of Redeemable Preference shares.
 - (d) Through Factoring.
53. One of the factors affecting the block capital requirement of an organisation is:
- (a) The amount invested in acquiring goodwill, patents influences the fixed capital needed for business.
 - (b) The amount invested in acquiring goodwill, patents influence the Working capital needed for business.
 - (c) The amount invested in acquiring goodwill, patents influence the Seasonal Working capital needed for business.
 - (d) The amount invested in acquiring goodwill, patents influence the Special Working capital needed for business.
54. When the current assets change form from one to another, they are synonymous to:
- (a) Circulating capital, which is invested, recovered, and reinvested during the operating cycle of the business.
 - (b) Working capital, which is invested, recovered, and reinvested. during the operating cycle of the business.
 - (c) Fixed capital which is invested, recovered, and reinvested during the operating cycle of the business.
 - (d) Gross working capital, which is invested, recovered, and reinvested during the operating cycle of the business.

55. One of the limitations of the Planning function of Management is:
- (a) Once plans are formulated people tend to strictly adhere to them.
 - (b) Planning bridges the gap between the present and the future.
 - (c) Planning reduces the risk of uncertainty.
 - (d) Planning is an economical process.
56. Which statement given below cannot be used to describe Budget as a type of Plan?
- (a) Budgets are quantitative statements indicating expected results and expenditure required to achieve the results.
 - (b) A Budget reflects capital outlay.
 - (c) A Budget is a plan of action designed to achieve a specific goal.
 - (d) A Budget is designed to achieve discipline and order.
57. With reference to Bonus shares, which one of the statements given below holds true?
- (a) Bonus shares are fully paid up given to the existing shareholders.
 - (b) Bonus shares are partly paid up given to the existing shareholders.
 - (c) Bonus shares are fully paid shares given to the employees of the company.
 - (d) Bonus shares are fully paid shares given to the existing debenture holders.
58. The most appropriate statement with reference to the electronic fund transfer through NEFT is:
- (a) The fund transfer in NEFT takes place on real time, without any waiting period.
 - (b) The fund transfer in NEFT takes place in batches.
 - (c) The NEFT transfer takes place from one person to another.
 - (d) The NEFT transfer takes place on gross settlement basis.
59. Which of the statements given below aptly describes Management as a discipline?
- (a) Management as a discipline is a systematized body of knowledge.
 - (b) Management as a discipline means obedience to rules in the organisation.
 - (c) Management as a discipline means order in the organisation.
 - (d) Management as a discipline refers to equity in the organisation.
60. One of the principles of scientific management is:
- (a) Science not rule of thumb.
 - (b) Systematized body of knowledge.
 - (c) Specialized knowledge having a code of conduct.
 - (d) Perfection through practice.

Choose the right option to answer the following.

[20]

61. "Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors, competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

- (a) Identify the component of business environment highlighted in the above Para.
 - (i) Technological
 - (ii) Social
 - (iii) Legal
 - (iv) Political
- (b) One of the features of business environment as discussed by Professor Mehta with Naman and Govind is:
 - (i) General and specific forces
 - (ii) Dynamic
 - (iii) Diversity
 - (iv) Totality of external forces
- (c) One point of importance of business environment as stated by Professor Mehta is:
 - (i) First mover advantage.
 - (ii) Non controllable.
 - (iii) Public image.
 - (iv) Continuous learning.

- (d) Analysis of business environment is also known as:
 - (i) Microenvironment
 - (ii) Macro environment
 - (iii) Internal environment
 - (iv) Environmental scanning
 - (e) One of the internal factors that constitute microenvironment is:
 - (i) Top management structure
 - (ii) Customer
 - (iii) Competitor
 - (iv) Supplier
62. MM Ltd. is manufacturing small cars at its manufacturing unit in Pune. The demand of its cars is increasing at the rate of 20% annually. It is planning to set up a new car manufacturing unit at Indore. For this the company will require approximately 1,500 crores as fixed capital and 500 crores as working capital. The company has already arranged for its working capital.
- (a) MMM Ltd.'s fixed capital can be affected by:
 - (i) Size of the business.
 - (ii) Liberal credit policy.
 - (iii) Terms of purchase and sale.
 - (iv) Length of the manufacturing cycle.
 - (b) The working capital required by MM Ltd initially can be termed as:
 - (i) Permanent working capital.
 - (ii) Variable working capital.
 - (iii) Working capital.
 - (iv) Initial working capital.
 - (c) Fixed capital is the capital used to acquire:
 - (i) Assets
 - (ii) Fixed assets
 - (iii) Current assets
 - (iv) Net assets

- (d) MM Ltd could have raised the working capital through:
 - (i) Commercial banks
 - (ii) Loans from financial institutions
 - (iii) Issue of Bonds and debentures
 - (iv) Issue of shares
 - (e) Working capital can be termed as the capital invested in:
 - (i) Current assets
 - (ii) Inventories
 - (iii) Cash
 - (iv) Bank
63. Aapka Vidyalaya' believes in the holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its Founder's Day, a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all the members supported each other. With mutual trust and a sense of belonging, the programme was systematically planned and executed. Kartik, one of the prefects, realised that the group had unknowingly applied one of the principles of Management while planning and executing the programme. He was so inspired by the success of this function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.
- (a) Identify the principle of management applied for the success of the programme.
 - (i) Espirit de corps .
 - (ii) Unity of direction.
 - (iii) Authority and responsibility.
 - (iv) Division of work.
 - (b) Who had advocated this principle?
 - (i) Henry Fayol
 - (ii) FW Taylor
 - (iii) George terry
 - (iv) James Lundy

- (c) Who is considered as the father of scientific management?
 - (i) Henry Fayol
 - (ii) FW Taylor
 - (iii) George terry
 - (iv) James Lundy
- (d) Who is considered as the father of modern management?
 - (i) Lawrence Appley
 - (ii) Peter Drucker
 - (iii) George terry
 - (iv) Henry Fayol
- (e) Principles of management:
 - (i) Are considered as the Fundamental statements of truth.
 - (ii) Explain the relationship between two constants.
 - (iii) Increase efficiency.
 - (iv) Clarify the thinking.

64. Nutan Tiffin Box service was started in Mumbai by the Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffin to all office goers at the right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently, they have started online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturer by top business schools. The Dabbawalas operate in a group of 25-30 people alongwith a group leader. Each group teams up with other groups in order to deliver the tiffins on time. They are not transferred on frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade—no alcohol during working hours; no leaves without permission; wearing white caps and carrying ID cards during business hours.

Recently, on the suggestion of a few self-motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place red sticker if food is left in the tiffin, to be fed to poor children later.

- (a) Which principle of management given by Fayol is mentioned in the above case?
 - (i) Order
 - (ii) Equity
 - (iii) Centralization
 - (iv) Espirit de corps

- (b) Which characteristics of management is highlighted in the above case?
 - (i) Management is multidisciplinary.
 - (ii) Management is goal oriented.
 - (iii) Management helps in minimization of cost.
 - (iv) Management ensures profitability.

- (c) Management is important because it helps in:
 - (i) Achievement of group goals
 - (ii) Change and innovation
 - (iii) Discipline and morale
 - (iv) Creativity

- (d) Management can be termed as:
 - (i) A science and An art.
 - (ii) An art and a profession.
 - (iii) A profession and a science.
 - (iv) A science, art and a profession.

- (e) One of the objectives of management is:
 - (i) Development of people.
 - (ii) Development of nation.
 - (iii) Higher standard of living.
 - (iv) Generation of employment.